

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 /126 W
-----113224 260020Z /72

R 251300Z MAY 78
FM AMEMBASSY ANKARA
TO SECSTATE WASHDC 2077
INFO AMCONSUL ADANA
AMEMBASSY BONN
AMCONSUL/IZMIR 9919
USMISSION GENEVA
AMEMBASSY PARIS

C O N F I D E N T I A L ANKARA 4003

USMISSION GENEVA FOR MTN

E.O. 11652: GDS
TAGS: EFIN, IMF, TU
SUBJ: IMF CONCERN ABOUT RATE OF LENDING BY TURKISH CENTRAL BANK

1. CHARLES WOODWARD, HEAD OF IMF TEAM THAT NEGOTIATED RECENT
STANDBY AGREEMENT WITH TURKS, SLIPPED IN AND OUT OF ANKARA
FOR LESS THAN 24 HOURS MAY 23-24. EMBASSY BELIEVES THAT HE
CAME TO EXPRESS IMF CONCERN THAT CENTRAL BANK LENDING TO
PUBLIC SECTOR IS INCREASING TOO RAPIDLY. VISIT, WHICH RECEIVED
LITTLE PRESS ATTENTION, WAS CONFIRMED BY YAVUZ CANEVI OF
CENTRAL BANK. CANEVI, WHO APPEARED RELUCTANT TO TALK ABOUT
IT, SAID ONLY THAT WOODWARD HAD STOPPED IN ANKARA ON HIS
WAY BACK TO WASHINGTON FROM OECD RESCHEDULING MEETING OF MAY 17-20
"TO CHECK TECHNICAL PROBLEMS". CANEVI DID NOT ENCOURAGE
INQUIRY INTO WHAT THESE MIGHT BE.

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2. IT SEEMS CLEAR, HOWEVER, FROM WOODWARD'S REMARKS TO THE
OECD WORKING PARTY RESCHEDULING TURKEY'S DEBT THAT HE PROBABLY
CAME TO ANKARA TO EXPRESS HIS CONCERN ABOUT THE CENTRAL BANKS'S
APPARENT INABILITY TO RESTRAIN GROWTH OF LENDING TO THE PUBLIC
SECTOR IN MARCH AND APRIL TO EXTENT THAT IMF WOULD HAVE WISHED
TO SEE. THE IMF EXPECTED THAT THE NET CENTRAL BANK CREDIT TO THE
PUBLIC SECTOR WOULD AVERAGE TL 159 BILLION FOR THE PERIOD

FEBRUARY-APRIL 1978. THE ACTUAL AVERAGE WAS TL 169 BILLION, ACCORDING TO FIGURES PUBLISHED BY YAPI VE KREDI BANKASI.

3. THE STANDBY AGREEMENT SETS A CEILING ON NET CENTRAL BANK CREDIT TO THE PUBLIC SECTOR OF TL 171 BILLION FOR THE PERIOD MAY-JULY 1978. THROUGH THE FIRST TWO WEEKS OF MAY, THE CENTRAL BANK WAS ALREADY SCRAPING THE CEILING. NET PUBLIC SECTOR CREDITS WERE TL 171.3 BILLION ON MAY 5 AND TL 171.5 BILLION ON MAY 12, ACCORDING TO THE CENTRAL BANKS'S WEEKLY STATEMENTS. ALTHOUGH THE STANDBY TARGET ONLY CONSIDERS THE AVERAGE CREDIT OUTSTANDING AT THE END OF EACH MONTH OVER THE MAY-JULY PERIOD, THE FACT THAT THE CEILING HAS ALREADY BEEN REACHED AT THE BEGINNING OF THE PERIOD MEANS THAT THERE WILL HAVE TO BE VIRTUALLY NO GROWTH IN PUBLIC SECTOR CREDIT OVER THE NEXT THREE MONTHS IF TURKEY IS NOT TO JEOPARDIZE DISBURSEMENT OF ITS NEXT SDR 40 MILLION CREDIT TRANCHE.

4. CAUTIONARY NOTE: THE CENTRAL BANKS'S WEEKLY STATEMENTS DO NOT FOLLOW THE SAME CLASSIFICATION SYSTEM OF PUBLIC AND PRIVATE SECTOR CREDIT CONTAINED IN THE IMF STANDBY STATISTICAL ANNEX; THEREFORE, EMBASSY'S FIGURES MAY NOT CORRESPOND TO THOSE IN THE IMF TARGETS. FOR EXAMPLE THE IMF COUNTS CENTRAL BANK CREDITS TO AGRICULTURAL SALES COOPERATIVES AS "PRIVATE SECTOR" CREDITS WHILE THE WEEKLY STATEMENT AND YAPI VE KREDI COUNT THEM AS "PUBLIC SECTOR" CREDITS. THE IMF ALSO COUNTS

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BORROWING OF STATE ECONOMIC ENTERPRISES FROM THE STATE INVESTMENT BANK AS A CENTRAL BANK "PUBLIC SECTOR" CREDIT. THIS CLASSIFICATION DOES NOT APPEAR IN THE CENTRAL BANKS'S WEEKLY STATEMENTS. DILLON

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